

Message Text

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ACTION STR-07

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 STRE-00 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01
INR-10 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01
CTME-00 AID-05 SS-15 ITC-01 TRSE-00 USIA-06 SP-02
SOE-02 OMB-01 DOE-11 /127 W
-----079333 012128Z /64

P 011703Z MAR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 6623
INFO AMEMBASSY BRUSSELS
AMEMBASSY OTTAWA
AMEMBASSY TOKYO

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USMTN USEEC

ACTION STR ELECTRICALLY

STR PASS CODEL

E.O. 11652 N/A
TAGS: MTN, ETRD, CA
SUBJECT: U.S. - CANADA BILATERAL, FEB. 28, 1978
1. SUMMARY: US MTN DEL (HAMERSCHLAG, ET AL) MET WITH
CANADIAN MTN DEL (CLARK, ET AL) IN A BILATERAL AIMED
AT IDENTIFYING COMMON EXPORT INTERESTS IN FOREST PRO-
DUCTS, AND AT EXPLORING BILATERAL TARIFF ISSUES. THE
CANADIANS ANSWERED SOME OF OUR INITIAL QUESTIONS ABOUT
THEIR TARIFF OFFER, AND AGREED TO MEET AGAIN MARCH 8
WITH AN AGENDA TO COVER NTM'S, SUPPLY ACCESS, AND NON-
FERROUS METALS, AS WELL AS FURTHER TECHNICAL TARIFF
QUESTIONS. END SUMMARY.

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2. EXAMINATION OF U.S. - CANADIAN FOREST PRODUCT EXPORT
INTERESTS IN EC AND JAPANESE MARKETS REVEALED THAT CANA-
DIAN INTERESTS WERE SIMILAR TO OUR OWN BUT BROADER IN
SCOPE. IN THE EC, OUR COMMON OBJECTIVE WAS TO SEEK DUTY-
FREE ENTRY FOR SURFACED OR PLANED LUMBER (BTN 44.05),
AND A MAXIMUM REDUCTION ON SOFTWOOD PLYWOOD (BTN 44.15).
BEYOND THESE TWO PRODUCTS, CANADIAN EXPORT INTERESTS IN

EC INCLUDED: DRAWN WOOD 44.11; TONGUED, GROOVED, ETC. WOOD, 44.13; RECONSTITUTED WOOD, 44.18; PREFAB AND SECTIONAL BUILDINGS, 44.23; AND SHINGLES AND SHAKES IN 44.28. IN NTM'S BOTH SIDES AGREED ON THE PRIORITY OF GETTING THE EC TO ADOPT "NORTH AMERICAN" LUMBER STANDARDS.

3. VIS A VIS JAPAN, WE NOTED THAT THE U.S. INDUSTRY GAVE TOP PRIORITY TO JAPANESE FRAMING STANDARDS FOR PLYWOODS IN 44.15, AND GRADING RULES AND DIMENSIONS FOR PRODUCTS IN 44.05 AND 44.13. THE CANADIANS INDICATED AN INTEREST IN PRODUCTS IN BTN'S 44.11, 44.18, AND 44.23 AS WELL AS THOSE OF U.S. INTEREST. THEIR APPROACH REFLECTED A HIGH PRIORITY FOR OBTAINING JAPANESE TARIFF REDUCTIONS, AND FOR REDUCING THE GSP DISCRIMINATION ON PLYWOOD AS WELL AS ACTION ON STANDARDS.

4. IN THE PULP AND PAPER SECTOR, WE INDICATED OUR DESIRE TO OBTAIN SUBSTANTIAL EC DUTY REDUCTIONS TO REDUCE THE EC-EFTA PREFERENCES FOR KRAFT PAPER AND BOARD IN BTN 48.01, AND COATED PRINTING PAPERS AND COATED KRAFT BOARD IN 48.07. IN ADDITION TO THESE, CANADIANS WERE INTERESTED IN CORRUGATED PAPER AND PAPERBOARD 48.05, AND, TO A LES- SER EXTENT, COMPOSITE PAPER IN 48.04. THEY WERE ALSO INTERESTED IN LIGHTWEIGHT (AIRMAIL EDITION) NEWSPRINT.

5. IN THE JAPANESE MARKET WE INDICATED OUR INTEREST IN LIMITED OFFICIAL USE

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OBTAINING MAXIMUM REDUCTIONS FOR PRODUCTS IN BTN 48.01, 48.07 (ESPECIALLY COATED KRAFT AND LINER BOARD), 48.04, 48.05, 48.07, 48.09, AND A LESSER INTEREST IN KRAFT PULP AND DISSOLVING PULP. THE CANADIAN EXPORT INTERESTS WERE PRIMARILY IN THE FIRST FOUR HEADINGS. THE CANADIANS CONTINUE TO BELIEVE THAT THEY CAN EXERCISE SOME LEVERAGE, PARTICULARLY AGAINST JAPAN, THROUGH THE SUPPLY ACCESS PROVISIONS OF THEIR FOREST PRODUCTS SECTOR PROPOSAL.

6. THE CANADIANS RESPONDED TO OUR TECHNICAL QUESTIONS ON THEIR TARIFF OFFER. THEY PROMISED TO SUPPLY A TARIFF- LINE LISTING OF ITEMS SUBJECT TO FORMULA CUTS IN 2 OR 3 WEEKS, AND TO TABLE AGRICULTURE OFFERS NEXT WEEK. THEY NOTED THE "OFFERS" MADE IN THEIR SECTOR PROPOSALS -- I.E. TO MATCH FULL U.S. TRADE ACT REDUCTIONS -- REMAINED ON THE TABLE ALTHOUGH THEY WAFFLED A BIT AS TO WHETHER A DEAL ON THIS BASIS COULD BE STRUCK BETWEEN THE U.S. AND CANADA ALONE. SPECIFIC TECHNICAL RESPONSES FOLLOW: (1) AVE'S. -- BASED ON 1976 TRADE; IN A FEW INSTANCES, THE 1974 TRIF; (2) FREE, UNBOUND ITEMS. -- IN CALCULATING OVERALL DEPTH OF CUT, THE BINDING OF A FREE ITEM WAS TREATED AS IF IT WERE A 20 PERCENT AD VAL DUTY REDUCED

BY 40 PERCENT, AND TRADE WEIGHTED ACCORDINGLY. (3) COMMONWEALTH PREFERENCE. -- ALL TRADE WAS COUNTED AS MFN TRADE. (4) MACHINES BASKET CATEGORY 42700. -- CANADIANS CAN PROVIDE SOME INFORMATION ON THE TYPES OF PRODUCTS ENTERED. THEIR GREATER-THAN-FORMULA OFFER PROPOSES "EX-OUTS" TO DUTY-FREE ON A WIDE RANGE OF COMPUTER ITEMS LISTED IN A RECENT TARIFF BOARD STUDY, AND WOULD CONSIDER BINDING AT FREE "CERTAIN CLASSES OF EQUIPMENT" THAT ENTER UNDER 42700 WHICH THEY WILL SPECIFY LATER. THEY OFFER LESS THAN FORMULA CUTS ON THOSE HOUSEHOLD APPLIANCES ENTERED UNDER THIS BASKET, AND WOULD LIKE TO GROUP ALL APPLIANCES AT THE SAME RATE, AND NOT AS PART OF THE PRODUCTION MACHINERY BASKET.

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7. COMMENT: THIS MEETING CONSIDERED ESPECIALLY USEFUL, AND MARKED THE FIRST TENTATIVE STEP TOWARDS PRODUCT-SPECIFIC NEGOTIATIONS. DISCUSSIONS SUGGESTED A CO-ORDINATED STRATEGY AGAINST THE EC AND JAPAN ON FOREST PRODUCTS COULD BE EASILY DEVELOPED; FOR EXAMPLE, CANADA COULD BE THE DEMANDEUR ON JAPANESE TARIFFS WHILE WE HAMMERED AWAY AT NTM'S. THE CANADIAN BROADER INTERESTS IN THE EC SUGGEST SOME FAVORABLE FALL-OUT FOR U.S. IN-

DUSTRY, SINCE THEIR PRIMARY EXPORT INTERESTS ENCOMPASS
MANY OF OUR LOWER PRIORITY ITEMS. END COMMENT.

8. DRAFTED BY MALISH. CULBERT

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